

# Absa Select Equity Fund

31 July 2014

## Fund facts

<b>Industry category</b>	SA - Equity - General
<b>Performance target</b>	FTSE/JSE All Share Index (including income)
<b>Inception date</b>	23 February 2004
<b>Fund size</b>	R 3,9 billion
<b>JSE code</b>	ASEF
<b>Fund manager</b>	Errol Shear - B.Bus.Sc. (Finance) (Hon), CA (SA), CFA
<b>Asset management Company</b>	Absa Asset Management (Pty) Ltd

## Fund details

<b>Minimum lump sum investment</b>	R 2 000
<b>Minimum monthly debit order</b>	R 200
<b>Income declaration</b>	30 June & 31 December
<b>Income distribution</b>	15 July & 15 January

## Top holdings (%)

BHP Billiton Plc	6.99
Sasol Ltd	6.96
Anglo American Plc	6.88
Standard Bank Group Ltd	5.93
Mr Price Group Ltd	5.14
Compagnie Financiere Richemont SA	5.09
SABMiller Plc	4.94
Bidvest Ltd	4.41
MTN Group	4.09
Barclays Africa Group Limited	3.52

## Performance: total return(%)

Term	Absa Select Equity Fund A	Absa Select Equity Fund B	Benchmark	Sector Average	Rank
Since inception	21.47	11.91	19.42	17.02	7/46
1 year	24.83	23.73	28.31	26.21	82/125
3 years	18.68	17.61	21.80	19.46	60/97
5 years	18.19	16.89	19.55	17.56	34/87

Note: the sector average and rank only applies for the A Class  
 \*Figures are annualised  
 Source: Morningstar

## Risk statistics

Additional information	Fund since inception
Number of positive months	89/125
Sharpe ratio*	1.14
Maximum rolling 3 month gain	22.40%
Maximum rolling 3 month loss	-13.67%
*Risk Free Rate used: 7.09%	

## Income distributions

Income distribution for the 6 months ended 31 Dec 2013	4.89 c.p.u
Income distribution for the 6 months ended 30 June 2014	4.18 c.p.u

## Fund objectives

The fund aims to offer investors long-term capital growth by delivering a higher rate of return than the FTSE/JSE All Share Index through investments in selected JSE listed companies. Exposure to shares will exceed 75% of the fund at all times.

## Risk profile and advisable minimum term

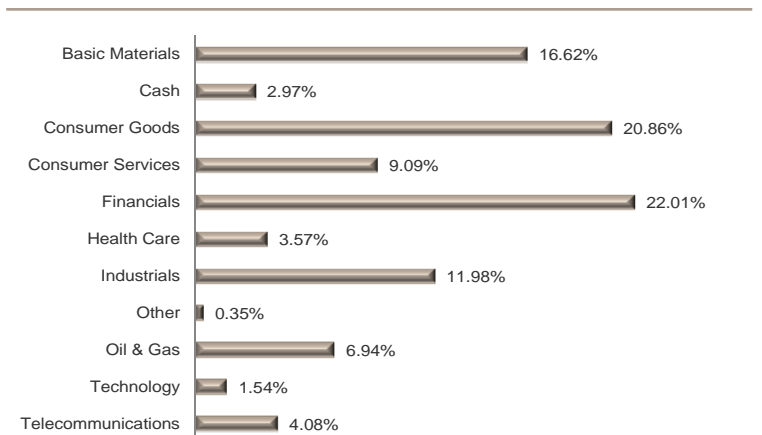
Low	Low-Medium	Medium	Medium-High	High
				X
3 Months +	6 Months +	2 Years +	3 Years +	5 Years +
				X

## Fees and total expense ratio (VAT incl.)

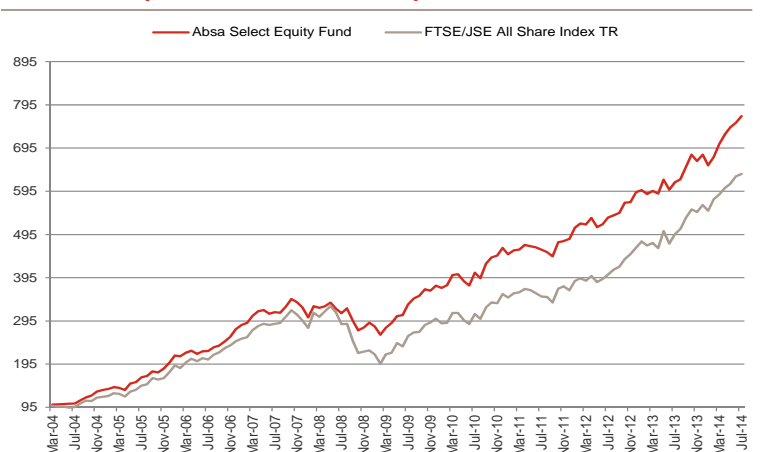
	Class A	Class B
<b>Initial fees:</b>		
Absa Fund Managers:	0%	0%
Adviser:	0 - 3.42%	0%
<b>Annual management fee:</b>		
Absa Fund Managers:	1.71%	2.68%
Adviser:	0 - 1.14%	*N/A
<b>Total expense ratio:</b>	1.72%	2.69%

\*Adviser on-going fee is included in the annual management fee and it varies according to the platform through which the investment is done

## Sector allocation



## Cumulative performance since inception\*



\*Index performance of Fund & Benchmark based to 100 at inception of fund

Note: This graph is net of fees.  
 Source: Morningstar

## Quarterly fund commentary as at 30 June 2014

The FTSE/JSE All Share Index continued to strengthen during the 2nd quarter of 2014, returning 7.2% and hitting a new all-time high of 51 322 on 20 June 2014. The best performing sectors were Fixed Telecoms (+35.8%), Beverages (+17.2%), Food producers (+15.5%) and Healthcare Equipment (+14.2%). Underperforming sectors include Industrial Metals (-9.7%), Platinum (-5.9%) and Construction (+1.6%).

The strong performance of the stock market contrasts with the dismal performance of the South African economy. GDP growth in SA for the first quarter of 2014 was a negative 0.6 % (quarter on quarter, seasonally adjusted), with Mining down 24.7% and Manufacturing down 4.4%. The second quarter should show some small improvement from this low base, notwithstanding strikes in major sectors. However the South African Reserve Bank has made further cuts to its growth forecasts, now at 1.7% for 2014 (from 2.1%) and 2.9% for 2015 (from 3.1%).

This pattern of strong equity markets and weak economic news was not unique to South Africa. The S&P 500 Index in the USA rose by 4.7%, notwithstanding USA GDP being revised down sharply from an initial estimate of +0.1% to -2.9% for the first quarter. Bad weather, which disrupted production, construction and shipments, was partly to blame. There is an expectation of a much better 2nd quarter, though this also has been revised down from earlier more optimistic estimates. What has boosted the US stock market has been the unexpected fall in USA bond rates. The US 10 year government bond rate fell from 3.03% at 31 December 2013 to 2.49% at 30 June 2014. Consensus forecasts earlier this year were for the US 10 year government bond rate to rise to above 3.50% in 2014.

In addition to disappointing economic figures, global political tension has risen, with military skirmishes in Ukraine, Syria and Iraq. Stock markets have generally ignored the increase in political tension, with risk, as measured by the USA VIX index, reaching a 7 year low of 10.6 on 18 June 2014.

Over the last decade, the average annual compound return from the FTSE/JSE All Share Index has been a phenomenal 21.0% p.a. in nominal terms and 15.1% p.a. adjusted for inflation. Over the last 5 years the average annual return from the FTSE/JSE All Share Index has been 21.6% p.a. in nominal terms and 16.3% p.a. adjusted for inflation.

The South African equity market is fairly expensive, both compared to its own history and other emerging markets. Therefore there must be some risk of a market correction. As long-term investors, we constantly remind ourselves neither to become too flustered nor too excited by short-term fluctuations in share prices. We continue to focus on stocks that are trading at parity (or at a discount) with the market at large, yet have higher earnings and dividend yields, strong business franchises and balance sheets, and better visibility of cash flows, and we continue to keep our equity exposures to companies where we are comfortable with future earnings prospects.

We constantly stress the importance of investing with a longer-term perspective, and over the last 5 years, the Absa Select Equity Fund has returned 19.5% p.a. Examples of shares that have performed well over the last 12 months, and where we have been overweight, have been Afrimat (+76%), Sasol (+53%), Mr Price (+38%), Standard (+37%) and Reinet (+34%).

Our long term objective is to grow and protect the fund's capital by investing in financially sound companies, run by competent management and trading at a price that offers long term value. We believe that this long term value will be unlocked over time.

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### DISCLAIMER

The Absa Select Equity Fund is a high risk fund. No initial charge is levied, though investments through intermediaries could include a maximum of 3.42% (incl. VAT) payable for commissions and incentives. An annual service charge of 1.71% (incl. VAT) against the assets of the fund will be calculated and accrued daily. Ongoing advice fees may be negotiated to a maximum of 1.14% (incl. VAT) per annum, charged by a way of unit reduction and paid to the Financial Adviser monthly in arrears. This annual advice fee is not part of the normal annual management fee. The Absa Select Equity Fund requires a minimum balance of R2000. Collective Investment Schemes in Securities (Unit Trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The investment return is not guaranteed and is dependent on the performance of the underlying instruments. Forward pricing is used. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Income is distributed half yearly and any income may be paid out into an account as nominated by the investor or be represented by additional units. All requests for transactions received on or before 16:00 every day will be traded at ruling prices and valued after 16:00 on that day. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. This Fund may be closed to new investments. The Fund Manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Foreign and/or local interest and dividends as well as foreign currency movements and interest distributions affecting capital may be fully taxable under current legislation. This fund may invest in Financial instruments. Figures quoted are from Morningstar, for the period ending 31/07/2014, using NAV-NAV prices, with income distributions reinvested and figures quoted are net of fees. This product is not for sale to USA persons. The Total Expense Ratio (TER) is expressed as an annualised percentage of the charges, levies and fees incurred by the portfolio related to its management, for the period from 1 July 2013 to 30 June 2014, against the average NAV of the portfolio over this period. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Consult the Management Company for details. Absa Fund Managers is a member of the Association for Savings and Investment SA.

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### Contact details

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